

Message Text

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ACTION EA-12

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C O N F I D E N T I A L TAIPEI 06006

E.O. 11652: GDS
TAGS: EAIR, ETRD, TW
SUBJECT: DC-10/AIRBUS COMPETITION FOR SALES IN TAIWAN

REF: A. PARIS 29466, STATE 225864

1. PRIOR TO RECEIPT REFTELS I HAD OPPORTUNITY ON SOCIAL
OCCASION YESTERDAY AGAIN TO RAISE DC-10/AIRBUS QUESTION
WITH GOVERNOR CENTRAL BANK OF CHINA, YU KUO-HUA
(SEE TAIPEI 5466 FOR RECORD OF EARLIER CONVERSATION).
RECORD OF SEPTEMBER 6 TALK FOLLOWS.

2. I BROACHED THIS SUBJECT WITH GOVERNOR YU BY PRESENT-
ING HIM WITH A COPY OF SOME RECENT STATISTICS ON US-
ROC TRADE, MENTIONING THAT I HAD EARLIER
PASSED THESE STATISTICS TO THE PRIME MINISTER WHEN I HAD
DISCUSSED WITH HIM THE DC-10/AIRBUS PURCHASE QUESTION.
I EMPHASIZED ONCE MORE THE CONCERN WE HAVE OVER THE GROW-
ING IMBALANCE, IN ROC'S FAVOR, IN TRADE WITH THE UNITED
STATES. GOVERNOR YU LOOKED OVER THESE STATISTICS AND
OBSERVED THAT THE IMBALANCE IS PERHAPS EVEN SOMEWHAT
GREATER THAN THESE STATISTICS SHOWED.

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3. THE GOVERNOR THEN EXPLAINED TO ME THAT CHINA AIRLINES
MUST AVOID GETTING INTO THE UNECONOMIC SITUATION OF
HAVING TO MAINTAIN TWO DIFFERENT KINDS OF AIRCRAFT BE-
CAUSE OF THE EXTRA RANGE OF SPARE PARTS REQUIRED, THE
ADDITIONAL TRAINING OF MAINTENANCE PERSONNEL, ETC. AT
FIRST I THOUGHT HE WAS IMPLYING THAT THE GROC HAD CON-
SIDERED BUYING BOTH THE DC-10 AND THE AIRBUS BUT HAD

CONCLUDED THAT THIS WAS UNECONOMIC, BUT HE THEN MADE CLEAR THAT HE WAS DRAWING A DISTINCTION BETWEEN THE GROC HAVING ONE (BOEING) RATHER THAN TWO (BOEING AND MCDONNELL-DOUGLAS) KINDS OF AMERICAN AIRCRAFT. HE DID SAY THAT THE GROC MIGHT CONSIDER MEETING SOME OF OUR CONCERNS ABOUT TRADE IMBALANCE BY MAKING AN ADDITIONAL BOEING PURCHASE, FOR EXAMPLE ANOTHER 747.

4. AS THE DISCUSSION PROCEEDED, IT BECAME CLEAR THAT THE GOVERNOR'S COMMENTS RESTED ON THE ASSUMPTION THAT THE AIRBUS DEAL WILL GO THROUGH AND THAT IT IS LINKED TO THE GRANTING OF LANDING RIGHTS IN PARIS. HE EXPLAINED THAT THE ROC NOW HAS SOME KIND OF LANDING RIGHTS IN LUXEMBOURG BUT THAT THIS HAS ONLY LIMITED UTILITY WHEREAS LANDING RIGHTS IN PARIS WOULD BE OF GREAT VALUE. I PROBED SOMEWHAT SKEPTICALLY TO SEE HOW DEFINITE THE GOVERNOR FELT THE FRENCH OFFER OF LANDING RIGHTS TO BE AND HE LEFT ME WITH THE IMPRESSION THAT HE CONSIDERED THE FRENCH COMMITMENT TO BE A SOLID ONE. IN FACT, HE WENT ON TO SAY THAT THE PURCHASE OF THE AIRBUS NEED NOT EVEN BE A DIRECT EXCHANGE FOR LANDING RIGHTS; THE FRENCH HAVE COMMITTED THEMSELVES TO GRANTING THE LANDING RIGHTS EVEN THOUGH THE AIRBUS PURCHASE MAY NOT BE CONSUMMATED BEFORE SOME FURTHER TIME.

5. WITH REGARD TO THE POINT THE GOVERNOR HAD MADE
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EARLIER ABOUT POSSIBLE BOEING AND/OR DC-10 PURCHASES, I SAID THAT I WAS NOT SPEAKING FOR ONE OR ANOTHER AMERICAN AIRCRAFT PRODUCER BUT RATHER WAS PRESSING FOR FULLEST AND FAIREST CONSIDERATION FOR ANY AMERICAN PRODUCER AND ALSO PRESSING FOR ROC ACTION WHICH WOULD HELP REDRESS THE SERIOUS TRADE IMBALANCE.

6. I DOUBT THERE IS ANYTHING WE CAN SAY, ALTHOUGH WE WILL CONTINUE TO LOOK FOR SUITABLE OCCASIONS TO TRY, THAT WILL PERSUADE GROC THAT THEY DO NOT HAVE A LANDING RIGHTS DEAL WITH THE FRENCH. UNGER

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